

Message Text

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PAGE 01 DACCA 04863 061049Z

13

ACTION OPIC-12

INFO OCT-01 NEA-10 ISO-00 EB-11 AID-20 CIEP-02 CIAE-00

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC 1333

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PASS OPIC

E.O. 11652: N/A

TAGS: EFIN, BG

SUBJECT: BANGLADESH

REF: STATE 211040

FOLLOWING ARE RESPONSES TO VARIOUS QUESTIONS RAISED IN COURSE
REFTEL.

1. AS NATIONALIZED ENTITY, BANGLADESH FABRICS (BDF) COMES
UNDER COMPLETE CONTROL PUBLIC-SECTOR HOLDING CORP. - THE JUTE
MILL CORP. (JMC). BDF CAN PROPOSE ITS OWN SELLING PRICES
BUT THEY ARE REVIEWED AND SET BY JMC, WITH EYE TO JUST
UNDERSELLING CALCUTTA MARKET. BDF COULD THEORETICALLY SELL
ITS OUTPUT TO OTHER THAN BELBAGCO'S PANAMIAN SUBSIDIARY BUT
HAS NOT RECEIVED ANY ACCEPTABLE OFFERS. AGAIN CONTRACT
WOULD HAVE TO BE APPROVED BY JMC.

2. SUBSIDIARY REPORTEDLY DID NOT AGREE PAY ADEQUATE PRICE
FOR FULL-YEAR CONTRACT. JMC AGREED ONLY TO 6-MONTH CONTRACT.
WE HAVE BEEN UNABLE TO DETERMINE WHETHER SUBSIDIARY ACTUALLY PAYS
LESS THAN GOING MARKET PRICE. HAD UNDERSTOOD OPIC WAS EXPLOR-
ING THIS ISSUE IN U.S.

3. IN ABSENCE ADEQUATE INLAND TRANSPORT TO EXPORT PORTS AND
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PAGE 02 DACCA 04863 061049Z

ADEQUATE SHIPPING THEREFROM TO OVERSEAS MARKETS, ALL JUTE

SHIPPERS HERE FACE STORAGE REQUIREMENT AT MILL AND/OR AT PORT. ONLY ALTERNATIVE WOULD BE SHIPMENT DIRECT TO INDIA, WHICH OF COURSE AS COMPETITOR WITH BANGLADESH IN JUTE GOODS, IS INTERESTED ONLY IN RAW JUTE.

4. SITUATION WHEREIN FORMER EMPLOYEES NOW RUN NATIONALIZED MILLS QUITE COMMON IN PUBLIC-SECTOR JUTE INDUSTRY HERE. NON-BENGALEES TOP MANAGEMENT AND OWNERSHIP HAS LEFT OR BEEN FORCED OUT. EXCEPT WHERE GOVERNMENT-APPOINTED BANGALEE ADMINISTRATOR BROUGHT IN, ONLY NATURAL THAT SENIOR BENGALIEE IN MILL SHOULD BE ELEVATED TO TOP MANAGEMENT POSITION. SAME SITUATION MIGHT PREVAIL IN OTHER NATIONALIZED MILLS PREVIOUSLY WITH FOREIGN OWNERSHIP. NOR IS EXCLUSIVE SALES TO PREVIOUS OWNER A RARITY IN A SPECIALITY MILL LIKE BDF WHICH PRODUCES ONLY COTTON BAGGING. OTHER AMERICAN NATIONALIZED MILL, ASSOCIATED BAGGING, UNDERSTOOD TO DO THE SAME. OPIC AWARE OF POSSIBILITY DECAPITALIZATION PROVIDED BY CONTINUED RELATIONSHIP BETWEEN NATIONALIZED MILL AND FORMER FOREIGN OWNER AS EXCLUSIVE BUYER OF MILL OUTPUT (DACCA 2845 AND PREVIOUS). UNLESS OPIC HAS DEVELOPED INFORMATION TO CONTRARY, EMBASSY HAS NO REPEAT NO ESTABLISHED PROOF THAT THIS HAPPENING WITH BDF.

5. BDF MANAGER KHAN WOULD WELCOME TECHNICAL ADVICE TO IMPROVE BDF CASH FLOW BUT DETERMINATION WHETHER OUTSIDE ASSISTANCE SHOULD BE SOUGHT LIES WITH JMC. ORGANIZATION AND OPERATION OF JUTE MILLS AS WELL AS ALL OTHER PUBLIC-SECTOR INDUSTRIES HAVE BEEN SURVEYED BY BRITISH MANAGEMENT CONSULTANT FIRM UNDER UK AID AND REFORMS MAY BE INSTITUTED IN FUTURE. KHAN REPORTS ALSO THAT SOVIET ADVICE MAY BE SOUGHT. HE EXTREMELY DOUBTFUL WHETHER BDF SUGGESTION FOR OUTSIDE AID FOR ITSELF ALONE WOULD BE APPROVED THROUGH BUREAUCRACY AND WOULD RESULT IN SPECIFIC REQUEST FROM PLANNING COMMISSION. ON OTHER HAND, OPIC TECHNICAL ADVICE MIGHT BE PROVIDED INFORMALLY IN COURSE NEGOTIATION COOLEY LOAN RE-SCHEDULING.

6. KHAN STATES HOWEVER MAIN PROBLEM FACED BY BDF AND OTHER JUTE MILLS IS NOT SO MUCH THEIR OWN INTERNAL WORKING AS THE SYSTEM IN WHICH THEY OPERATE, WHICH INTER ALIA DOESN'T ALLOW THEM TO BUY COMPETITIVELY OR SELL AT REALISTIC EXCHANGE RATES. LIMITED OFFICIAL USE

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PAGE 03 DACCA 04863 061049Z

7. KHAN DISCLOSED THAT REBUILDING OF BURNED-OUT WAREHOUSE WILL BE ON MAKESHIFT BASIS, PROBABLY USING BAMBOO RATHER THAN CEMENT, WHICH HE LIKE OTHERS HERE IS UNABLE TO PROCURE. FINANCING WILL BE MINIMAL AND KHAN THINKS HE CAN HANDLE FROM OWN RESOURCES. RESULTING GODOWN WILL NOT REPEAT NOT BE FULL RESTORATION PREVIOUS GODOWN. NEWBERRY

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